FEBRUARY 7, 1966

CANADIAN ISSUE

PLUS REPORTS ON FOOT-AND-MOUTH DISEASE IN EUROPE, AND THE EEC'S BUTTER SURPLUS

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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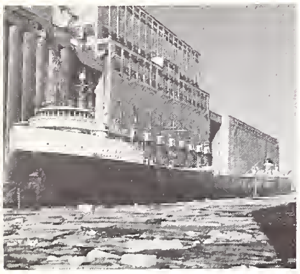

Early in the spring wheat is loaded onto a ship at Port Arthur to be transported down the St. Lawrence Seaway to larger ports. The first two articles in this issue deal with Canada's agriculture and trade. Pictures from National Film Board of Canada and Canada Department of Agriculture.

Contents

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Freer Agricultural Trade Urged at Canadian Conference

Farm and trade leaders propose that Canada's economic policy be adjusted to permit greater expansion of both exports and imports.

From the conference on international trade and Canadian agriculture at Banff, Alberta, on January 10-12, 1966, comes strong support for "expansion of both exports and imports—the achievement of freer trade, including agricultural products."

The conference was sponsored by the Economic Council of Canada and the Agricultural Economics Research Council of Canada, and was attended by 90 participants invited from farm organizations, industry, labor, universities, and Federal and Provincial government service. The discussion concluded, in summary:

Canadian agriculture is a large and important sector of the Canadian economy. In recent years, annual cash receipts from Canadian farm operations have exceeded Can$3 billion. While there are significant differences between regions and products, a substantial part of the total production is exported, exceeding one-quarter in most years. These agricultural exports continue to account for a very important part of Canada's total exports.

Some strong competitive advantages

There is a substantial part of Canadian agricultural production for which Canada has a significant competitive advantage with the rest of the world. This has been apparent, the conference statement said, in wheat, flour, flaxseed, rapeseed, dairy cattle, feeder and slaughter cattle, hogs, a variety of meats, raw milk cheddar cheeese, tobacco, maple products, forage crops, seeds, apples, white beans, and seed potatoes.

In some of these commodities Canada claims strong competitive advantages; in others, the advantages "are apparently less strong and exist in relation to selected countries." In relation to the United States, Canada's competitive position for many of these commodities varies by seasons of the year and other circumstances, such as the regional pattern of production and transport costs.

"Freer and expanding trade in agricultural products is very much in the interest of Canadian agriculture and in the interest of the country as a whole," the statement says, since Canada's competitive position is quite strong for a wide range of commodities. "The achievement of freer trade, including agricultural products, should be a major objective of government economic policy. This will involve expansion of both exports and imports, and will require adequate and effective programs to facilitate adjustments which would be associated with such changes in trade."

Deplores EEC agricultural policy

The statement emphasizes that less progress has been made in trade negotiations toward the reduction of trade barriers for agricultural products over the postwar period than for nonagricultural products. It states:

"Many countries, including the United States, and to a lesser extent Canada, have made use of highly restrictive measures with respect to agricultural trade. In particular, the situation is exemplified by the European Economic Community. In the case of industrial items, member governments accept free competition inside the Community and rely on a common tariff for commercial trade with the rest of the world. By contrast, the steps taken thus far in the formulation of the common agricultural policy are intended to provide all producers within the Community not merely with highly protected national markets but also with a margin of preference to other national markets within the Community—a margin of preference over suppliers from outside the Community. This policy of the Community effectively reduces the outsider to the role of a residual supplier who can only enter the market when all regional surpluses have been absorbed by the deficit countries of the Community."

The conclusions continue: In the area of commercial policy there is now, under the Kennedy Round of trade negotiations, a major opportunity which must be utilized fully to liberalize trade. "Canada will have to give concessions in its own trade barriers in order to open up opportunities for the expansion of exports." New techniques will be needed in the field of agriculture to obtain meaningful increases in trade.

Commodity agreements favored

"A promising approach appears to be in multilateral discussions with the objective of reaching comprehensive agreements on major commodities. Such agreements among exporters and importers would cover all aspects of trade, including conditions of access and levels of prices. Some provision could also be included regarding appropriate methods for surplus disposal and concessional sales." The statement said, "The view was strongly held that Canada's interests would be well served by an appropriate international mechanism for price stabilization in the case of wheat, and perhaps other major products."

If a multilateral approach to commodity agreements should not prove feasible, a possible alternative would be to obtain organized access to the markets of individual importing countries by special arrangement between each importing country and its suppliers, as Canada has done along with the United States and other grain exporters to the United Kingdom.

Imports and aid

As to less developed countries, there were cited the explosive increases in population coupled with slow progress in expanding agricultural output, creating serious food problems. Ways Canada as well as other developed coun-

tries can help alleviate these problems include importing more products produced in less-developed countries, and "on occasion Canada may have to adjust agricultural exports to meet more nearly the specific needs of these countries. At the same time, however, the less-developed countries will themselves have to produce much of the increased amount of food they will require. Thus, Canada and other advanced countries will have to assist them in general economic development and encourage them to make more effective use of their own production potential."

A still further enlargement is called for in aid programs, including food aid. "It is important," the statement continues, "that the needed expansion in food aid programs be as largely as possible on a multilateral basis, with adequate safeguards to prevent harmful effects on food production in the less-developed countries. But this should not exclude bilateral programs when appropriate."

Communist markets, other points

There were reported possibilities of exports to Mainland China on a regular basis, but less certainty was felt regarding the potential size and stability of the market in the Soviet Union and the East European countries.

The international competitive position for several important dairy products was weak, and the industry "needed some measure of continued protection or assistance."

There is need of more study and research of the role to be played by marketing boards and cooperatives in the development and more effective penetration of export markets, the conference statement reported. More highly developed and strengthened information and extension services are required, it said, to encourage the full use of available knowledge in regard to both technical matters and market opportunities. —RICHARD H. ROBERTS
U.S. Agricultural Attaché, Ottawa

A Look Ahead at CANADIAN AGRICULTURE in 1966

By JOHN C. McDONALD
Assistant U.S. Agricultural Attaché, Ottawa

Calendar year 1965 was a notable one for the farmers of Canada in a number of respects. Not the least of these were cash income and politics.

Despite year-ago forebodings of lower total farm receipts for 1965 because of anticipated reductions in wheat sales and deliveries, cash receipts from farming operations reached an estimated new high of Can$3.6 billion. Canada's Department of Agriculture (CDA) economists foresee yet another record in 1966.

Traditionally, Canada's Agriculture Ministers come from the western wheat-growing Provinces. But in the November 8 national election which gave Prime Minister Lester B. Pearson's Liberal party an overall gain, the grain and livestock farmers of Saskatchewan, Alberta, and Manitoba continued to vote conservative. And since Canadian Ministers are appointed from elected MP's, John James (Joe) Greene, a Liberal 45-year-old attorney from a rural district in Ontario's Ottawa Valley, was named Agriculture Minister—the first from eastern Canada in more than half a century.

Mr. Sharp and the Wheat Board

The major concern of Prairie farmers is with the marketing of abundant harvests, and the Canadian Wheat Board carries on this activity with superior effectiveness. In the Pearson government, the Wheat Board, a Crown corporation, answered not to the Minister of Agriculture but to Mitchell Sharp, who until recently was Minister of Trade and Commerce. When Mr. Sharp moved over to the Finance Ministry in mid-December, he took responsibility for the Wheat Board along with him.

"Western farmers will be pleased about this," said the Saskatchewan Wheat Pool. "Mr. Sharp has an excellent understanding of the Board's role and function through close association over the past 2 years."

As Trade Minister, Mr. Sharp established a reputation for high personal competence and for advocacy of freer international trade. In one of his first speeches as Minister of Finance, he said Canada can reasonably expect another year of high employment, production, and income in 1966. But, he said, "we cannot reasonably of course count on another bumper crop."

"This will be the crucial year in the negotiations in GATT of the Kennedy Round of tariff reductions and reductions in other barriers to trade," he said. "We shall be playing our full part."

Earlier, in his annual review of the Canadian economy, Mr. Sharp said a sustained tempo of business activity in 1966 is likely to bring a further rise in imports. He said the country must meet this continuing pressure on its exchange position by making the most of available opportunities in both foreign and domestic markets. He stressed the necessity of "all-out" sales efforts and the improvement of access to foreign markets.

In recent years, Canada has been the No. 2 commercial market, after Japan, for U.S. agricultural exports. Canada is the world's fourth largest exporter of farm products, and the United States is Canada's principal market.

Peak output despite weather

During 1965, the Canadian farmer was the recipient of both good and bad fortune—more good than bad, by far. The severest drought in a century plagued many eastern farmers during much of the growing season, and then it was followed by too much rain at the wrong time. Nearly perfect early moisture conditions on the semi-arid Prairies led the grain trade to expect a crop of unprecedented proportions, but rust and excessive rain and early frost and snow reduced both yields and grades. Still, the all-important wheat crop was the third largest in Canadian history, and a fourth consecutive bumper grain crop resulted in a new record level of agricultural production. A fierce cold snap curtailed British Columbia's 1965 fruit crop and destroyed thousands of tender fruit trees and vines, but the national apple harvest was only a million bushels short of a new record.

Overall, the misfortunes were clearly offset by rising hog and cattle prices, a 20-percent increase in cattle market-

Aerial view of Manitoba farmlands at harvesttime. Prairie farmers are expected to increase wheat acreage this year and to sell all they grow.

ings, immense gains in beef and cattle exports, a marked increase in returns from the sale of seeds, and the aforementioned new high in total cash receipts. Farmers' net income also rose from Can$1.4 billion in 1964 to about Can$1.8 billion last year. But costs of production and equipment climbed to new highs.

Prairie grain farmers received a record Can$272-million final payment last March when the Canadian Wheat Board closed its pool on the record-making 1963-64 crop year. Because of smaller marketings in 1964-65, smaller wheat and flour exports—still the third largest ever at 399.5 million bushels of wheat equivalent as against 594.5 million in the preceding season—and a 12-cent drop in wheat prices last January, the final payment checks to be mailed this spring will be considerably smaller than last year's. A Wheat Board spokesman said the payment was not likely to drop below Can$200 million, however. He added that 1965-66 promises to be a banner season that may challenge many of the records established in "that once-in-a-life-time year" of 1963-64.

New ventures in policy

Farmers and agri-businessmen in both east and west will be watching the initial policy ventures of the new Minister of Agriculture with intense interest. His first move, on January 7, was to boost the government's price of creamery butter to wholesalers by 2 Canadian cents a pound, with a primary objective of increasing returns to producers of manufacturing milk. At the same time, a 9-cent consumer subsidy was cut to 7 cents.

Farm interests are hopeful of early cabinet decision on the powers to be given a proposed Livestock Feed Board which would administer Canada's feed freight assistance program. Begun in 1941 as a "bacon-for-Britain" project to encourage meat production in eastern Canada, the transport subsidy program now is regarded variously as a way to supply cheaper grain to livestock and poultry feeders in British Columbia and the east, or as a way of expanding markets for western feed grains, or as a means of resisting imports of American corn. Different segments of agriculture would give the Board powers suitable to the interests for which they speak. Thus the suggested powers range from sweeping controls comparable in effect to those of the Wheat Board to a *laissez faire* weakness that would not interfere with economic advantages possessed by Prairie livestock growers.

Former Agriculture Minister Harry W. Hays left behind him a broad base of progressive agricultural policy which the new Minister may find it advantageous to continue with, particularly since the Prime Minister included them in a list of farm pledges with which he launched his election campaign last October 6. The Hays proposals included improved crop insurance, unemployment insurance for full-time farm workers, and a national dairy commission that could be a model for marketing legislation for other commodities.

In addition, Mr. Pearson promised government action to purchase and redevelop uneconomic farms, to assist in the retraining and resettlement of farmers who want to take up other occupations, to support Prairie farm income if grain marketings fell off, and to establish a Livestock Feed Board, a farm management service, and a new farm housing mortgage program.

Following are brief summaries of the outlook for important Canadian farm commodities and products in 1966:

Wheat to top 1964 record

Canadian exports of wheat and flour are expected to reach 600 million bushels in the current crop year (August 1, 1965 to July 31, 1966). This objective, if attained, would top the 1963-64 record by 5.5 million bushels. Gigantic wheat sales or commitments to the Soviet Union and China virtually guaranteed a market for the entire 1965 crop if transportation facilities can handle it.

Cattle round-up in British Columbia. Cattle prices are expected to be higher in 1966 because of U.S. demand.

Quebec farm scene, where dairy cattle are part of mixed farming pattern. Milk output may rise slightly in 1966.

In 1965, wheat plantings failed for the first time in 8 years to register an acreage increase, declining from 29.7 million acres in 1964, a record, to 28.3 million. Bulk of the decline was accounted for by a million-acre drop in durum plantings which resulted from a well-publicized warning that Canada had some 4 years' stocks on hand. But the Wheat Board has succeeded in moving more durum than expected in 1965-66, and now anticipates that carry-over stocks will be of normal size (about 22 million bushels) next July 31. Spring wheat area was down 262,000 acres in 1965.

Larger wheat acreages expected

Understandably, Federal officials have not made any guesses for publication about wheat acreage in 1966. But an Alberta economist, summing up Prairie possibilities at the annual Federal-Provinicial Agricultural Outlook Conference in December, said that larger wheat plantings are expected this year. A. M. Runciman, president of United Grain Growers, a Prairie cooperative, was quoted as saying that Canadian farmers may expect in the future to sell all the wheat they are able to produce.

Country Guide, a Winnipeg publication, said large wheat contracts with China assure a market for a large volume of wheat well beyond the current crop year, and "Prairie farmers can continue to plan for big production." James Richardson & Sons, Winnipeg grain trader, noted that the China contract, "coming on top of the last 3-year deal, establishes China as a major outlet for Canadian wheat for years to come and probably will encourage farmers to increase wheat plantings next year."

Autumn moisture reserves in 1965 were above normal across the Prairies for the second season in succession. This augurs well for 1966 crop prospects.

Ontario, the only Province growing commercial winter wheat in quantities sufficient to be recorded in official Canadian statistics, planted 410,000 acres last fall for harvesting in 1966. This was down about 50,000 acres from the area planted in the fall of 1964 but up 48,000 acres from the 362,000 acres harvested in 1965. The 100,000-acre difference was wiped out by winter kill a year ago.

Canada's small agricultural aid commitments for FY 1965-66 (April-March) totaled Can$20.6 million, nearly half of which was Can$10 million worth of wheat for India. In January, the Canadian Cabinet approved an additional Can$15 million in agricultural aid to India, about two-thirds of it in wheat and flour, which Canada found it hard to move because of near-capacity commercial sales to Communist nations and traditional customers.

Feed grain exports decline

Competition from corn and sorghums has in large measure been responsible for Canada's declining share of a growing export market for feed grains—from 15 percent in 1954-55 to 4 percent in 1963-64. Barley and oat production have suffered in recent years because of Prairie farmers' preoccupation with wheat, and oats are becoming a less popular crop. CDA has urged farmers to expand their production of both oats and barley in 1966.

Grain corn output, almost all of it in Ontario, has set records in each of the past 3 years—36, 53, and 60 million bushels. During the three most recent crop years (August-July), grain corn imports from the United States decreased from 30.0 to 22.2 to 16.5 million bushels.

Rise seen in livestock prices

Canadian experts predict that prices of cattle and hogs will be higher in 1966 than last year because of strong demand in the United States and relatively steady or lower production predicted for at least the first half of the year. The price of hogs rose to a record Can$43.60 per 100 pounds live weight at Toronto on December 28, 1965, a 63-percent gain from Can$26.70 a year earlier. Hog supply will be down most of the year, but some increase is expected in the fall. Fed cattle prices in Canada have followed the same general trend as in the United States, because Canada was on an export basis in 1965.

Unofficial figures indicate that fresh beef and veal exports to the United States (86 percent of all exports) totaled 69.4 million pounds in 1965, a gain of 42.6 million pounds or 159 percent over the 26.8 million pounds sold south of the border in 1964. Exports of feeder cattle to the United States last year were 396,031 head as against 90,487 in 1964. Fat cattle exports to us were 57,788 head compared with 27,565 the year before. Beef exports to the United States were highest since 1951, cattle exports

Right, grain elevators are profiled against the sky in the Saskatchewan wheatlands. Gigantic wheat sales to China and the Soviet Union virtually guarantee a market for the 1965-66 crop if transportation facilities can handle it.

highest since the post-drought year 1962.

Forecasters guess that the steeply ascending 1965 rise in beef exports will not be maintained this year because the large numbers of cows slaughtered in 1965 reduced the source of low-grade beef.

Cattle promoted abroad

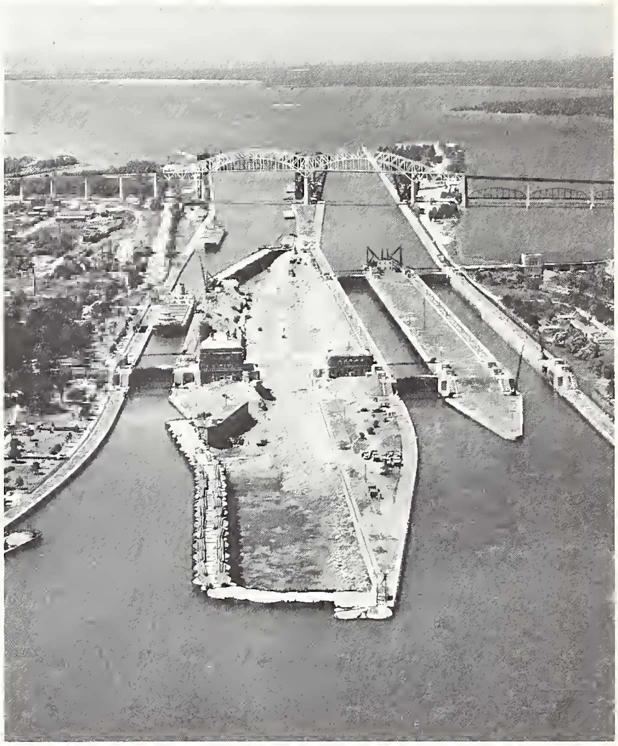
A traveling livestock exhibit of 20 purebred Holsteins which was shown in France last summer by CDA was adjudged such a success that the Department of Trade and Commerce will take over sponsorship of a traveling exhibit of dairy or beef animals this year—perhaps in Europe again, or in Latin America. The 20 Holsteins were sold in France at the end of their tour, and 29 other purebreds of the same breed were purchased in Canada and transported by air to France. The Spanish Ministry of Agriculture bought 1,956 Holstein-Friesian purebreds last year in Canada and is expected to return for more this year.

In October, 110 head of Charolais beef cattle were imported from France and installed for the winter in a new maximum security quarantine station on a St. Lawrence River island near Quebec City. A USDA expert is present to observe this first importation from a country whose cattle previously had been banned from North America.

Dairy and poultry products

Consumption of creamery butter is expected to exceed production for the third consecutive year in 1966, and the industry is wondering if Canada will become an importer in the near future. CDA has forecast a small increase in milk production this year, from about 18.3 billion pounds to nearly 18.5 billion, because of an expected further increase in output per cow and higher returns to producers.

The egg industry has just emerged from a disastrous period in which national average prices remained below the support level (Can$0.34 per dozen Grade A Large) for 10 months. Two consecutive annual deficiency payments (Can$0.02 and Can$0.043) have been made. With prices returning to normal, CDA has warned producers not to allow this to lure them into another round of overproduction. Poultry meat production continues to climb—5 percent in 1965—but so does domestic consumption. Prices are expected to hold steady.



Above, the Sault St. Marie locks on the Great Lakes through which much of Canada's wheat exports pass. Below, inspectors oversee loading of wheat.

Foot-and-Mouth Disease Continues To Plague Europe

By ROGER NEETZ
Foreign Regional Analysis Division, ERS

Agricultural authorities in Europe are showing increasing concern over the widespread reports of foot-and-mouth disease on the Continent. In every country, control measures are being strictly enforced at the first sign of an outbreak, and to prevent the spread of the disease across borders, many countries have placed embargoes on the shipment of meat and livestock from infected areas. In January FAO published a report warning that continuing outbreaks of foot-and-mouth disease could turn into a "nightmare" for the European livestock industry.

Foot-and-mouth disease is one of the most highly contagious diseases to affect cattle and swine. It is caused by a virus that spreads upon contact and usually sweeps through the entire herd. It produces a high fever followed by eruptions on the mouth and feet. The disease itself kills only about 5 percent of the animals it strikes, but it leaves them in such a deteriorated condition that they become susceptible to other infections to which they might be exposed, such as mastitis and pneumonia.

Outbreak in Soviet Union

A serious outbreak of foot-and-mouth disease developed in the Soviet Union toward the end of last summer. The outbreak reportedly began in the southern areas of European Russia. Isolated press comments indicated that the disease spread rapidly into the south to the Transcaucasus, into the north beyond Moscow, and into the southwest to the Ukraine and Moldavia. In December a U.S. scientist visiting the Soviet Union reported that quarantine stations had been established along the highway outside of Moscow, and more recently, official press statements have indicated that quarantine measures have been extended as far west as Belorussia.

Because of the apparent seriousness of the outbreak, a special commission, headed by Soviet Minister of Agriculture Matskevich, was set up to combat the spread of the disease. Preventive measures introduced by the commission restricted the movement of cattle in the diseased areas and established control points on highways and railroads. Transporting milk, feed, and livestock from infected areas has been restricted to insure the isolation of the disease.

Soviet officials claimed that the virus, identified as A-1, was uncommon in the USSR. Available vaccines proved ineffective. But the Soviets now claim that a new vaccine has been developed, and that it is being produced in quantity. The vaccine was tested in the Transcausasus where the disease reportedly has been checked.

Control uncertain

Although Soviet authorities have implied that the control measures and the new vaccine have been effective in arresting the current spread of foot-and-mouth disease in the Soviet Union, Western observers and veterinarians hold reservations about the future. Dr. Giuseppe Boldrini, Secretary of the European Commission for the Control of Foot-and-Mouth Disease, recently stated that the predominance of this variant strain in the new cases reported posed a serious problem of control on the Continent, since European cattle have little resistance to it.

Additionally, Dr. Erwin Eichhorn, Chief of the FAO Animal Health Branch, believes that supplies of vaccine to combat a serious outbreak of type A-1 foot-and-mouth disease are inadequate, and that it is unlikely an improvement can be effected in time for "adequate protection."

No official statement about the number of infected animals or losses of livestock has been issued by the Soviets, but the serious efforts being made to control the disease suggest great concern. One estimate indicated that the outbreak in the Soviet Union covered an area containing about half of the total cattle population in the USSR. The actual loss in milk production, the weight loss of live animals, and the reduction of herds could be substantial and would seriously affect the livestock program in 1966.

Disease continues in Eastern Europe

Earlier in 1965 Hungary also experienced a serious outbreak of foot-and-mouth disease. The virus apparently was one of the classical strains, O, A, or C; and mid-year reports indicated that it had been contained. But even with adequate control measures and vaccines for these varieties, the loss sustained by the agricultural sector was officially stated to have reached $29 million.

Other East European countries reported only a small number of new cases of foot-and-mouth disease in 1965, despite their proximity to the Soviet Union. None reported any incidence of type A-1. An outbreak of type O-1 developed in Rumania in May in areas adjacent to the Hungarian border, and before the outbreak was fully under control more than 2,000 hogs were destroyed. A U.S. Department of Agriculture official traveling in Rumania and Bulgaria last fall observed quarantine stations in both countries, but no outbreak of the disease was reported. Hungary also announced in January that it was free from foot-and-mouth disease. Both Poland and Czechoslovakia reported some cases early in 1965, but control measures were apparently effective in preventing further outbreaks.

Western Europe suffers financial losses

Western countries, however, reported an increase in the number of new cases during the latter part of 1965. Particularly serious outbreaks developed in the Netherlands and in Switzerland. In both instances the virus was identified as an indigenous type O or C, the latter being more predominant in hogs than cattle. Dutch officials stated that in the 2½ months after the disease broke out, 786 Dutch farms were contaminated and 57,377 hogs and 484 cattle were destroyed, a loss of approximately $5.5 million.

The first cases of the disease in Switzerland were reported last November. By the end of December some 500 farms were affected, and over 18,000 cattle, pigs, sheep, and goats had been slaughtered. Altogether foot-and-mouth disease is estimated to have cost Switzerland about $7 million last year.

In the beginning of 1965 the greatest number of new cases of foot-and-mouth disease were reported in Spain,

West Germany, Portugal, and Italy. One estimate indicated that the outbreak in Spain, which started in 1964 and continued through February of 1965, had affected more than 400,000 head of livestock. However, through effective control measures, the number of new cases in these countries dwindled considerably, and recent reports suggest that the controls have remained effective.

Vigilance at borders

Currently, countries bordering Switzerland and the Netherlands are taking extra precautions to protect themselves from new outbreaks. Italy has closed off the import of livestock from East and West Germany, Switzerland, and the Netherlands. France has stopped meat and livestock imports from Switzerland, Belgium, and the Netherlands. West Germany has introduced strong measures of control in areas adjacent to Switzerland and the Netherlands. Austria, despite strict border controls, reported the outbreak of the disease at two farms in areas adjacent to Switzerland early last month.

The full economic impact of the disease on the livestock industry in the affected countries of Europe cannot be easily determined, for much depends on the effectiveness of control measures. Some experts believe that with the advent of spring, mild weather, and the normal movement of livestock, the disease will become more pronounced. Moreover, protection against the exotic strains of foot-and-mouth disease is not fully guaranteed. Adequate warnings, however, have been given, and U.S. inspectors at international ports have been alerted to exercise a "special vigilance" to prevent the entry into the United States of meat contaminated by foot-and-mouth.

Record 1965 Butter Output Creates Growing EEC Surplus

By DAVID L. SCHLECHTY
Dairy and Poultry Division, FAS

Western Europe—the largest butter-producing area in the world—has built up a growing surplus of butter stocks by producing a record 3.9 billion pounds of butter in 1965.

While production went up in all the important producing countries in Western Europe, greatest increases were in the European Economic Community—West Germany, Netherlands, France, and Belgium in particular.

Last year's output, more than one-third the world's total production, represents an increase of 5 percent over 1964 and betters the previous record of 1962 by 0.1 billion pound. Last year, these countries jointly held as much as 628 million pounds of butter in storage, and they face worsening problems of surplus disposal.

The sharp increase in butter production resulted from a combination of factors. Favorable producer prices for milk, increased dairy cow numbers, and extremely favorable weather conditions during the spring and summer stepped up milk production. Most of the extra milk was diverted into output of butter, as frequently happens in years of surplus milk production.

Further, butter problems seem certain to continue as long as national milk support prices (target prices) remain at their present high levels.

Another factor contributing to the surplus is consumption, which has not kept pace with increased output. On the contrary, consumption fell during the first 6 months of 1965, clearly the result of higher world prices during the preceding fall and winter months. Some recovery took place in the summer and fall of this year as prices began to drop when supplies became heavier. The EEC Commission then authorized several countries to offer excess butter from cold storage inventories at reduced prices.

Not surprisingly, the rapid rise in European production, particularly within the EEC, has been accompanied by a heavy buildup of stocks. Stocks reached a peak at the end of August, when 10 West European countries were holding more than 600 million pounds of butter in cold storage (includes private and public holdings), approximately 63 percent of all butter held in storage in Western Europe. This compares with only 453 million pounds in 1964, 398 million in 1963, and an average of 476 million in the preceding 3 years.

Butter imports add stocks

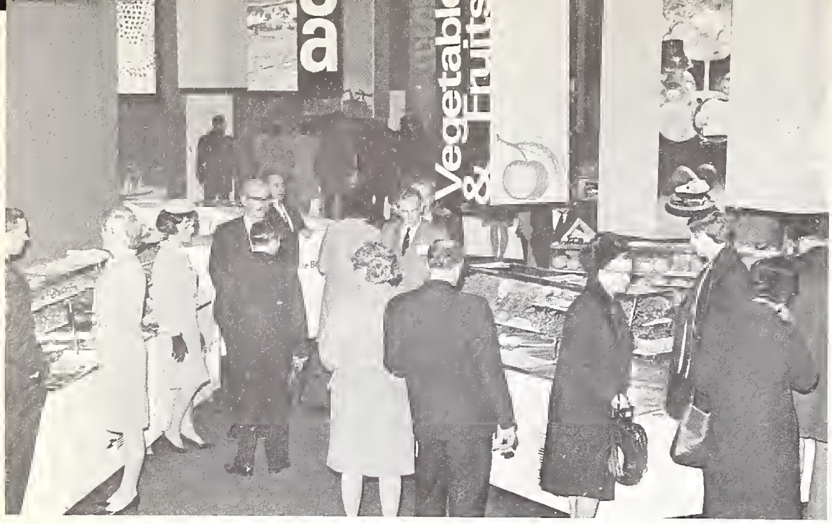
The current butter surplus problem in the Community is not, however, exclusively the result of increased butter production during 1965. Before the EEC basic Common Agricultural Policy (CAP) dairy regulations became effective November 1, 1964, large quantities of butter had been imported into France, the Netherlands, and Belgium to circumvent the new EEC levy system. This led to butter purchases by the government intervention agencies from the domestic markets of these countries and hence to the accumulation of butter in public stocks. However, privately held stocks also increased.

By the end of May 1965, surplus butter stocks had increased considerably, and the EEC Commission authorized Belgium, West Germany, and the Netherlands to dispose of stored butter acquired by their intervention agencies. The agencies were authorized to sell specified quantities at prices below the intervention or domestic support price until September 30. The domestic sales price for such butter was 15 percent below the intervention price if sold as butter, and 30 percent below the intervention price if sold in processed form. The authorized amounts for these three countries in millions of pounds were: Belgium, 1.1; West Germany, 55.1; Netherlands, 4.5.

In addition, all member states were authorized to sell, prior to September 30, butter imported before the November 1 effective date for the dairy CAP. The regulations permitted the sale of such butter only within an individual member state, or, upon authorization of the Commission, to third countries. Surplus butter trade between member states was not permitted. In West Germany, approximately 46 million pounds of the original 55.1-million-pound total authorized for the country to sell were sold by mid-July.

By the end of July, it was apparent that the authorized amounts were inadequate to sufficiently reduce EEC butter stocks in the three countries. Consequently the Commission increased the authorized amount for Germany to 112.4 million pounds (57.3-million-pound increase) and extended the validity of the authorization to October 31,

(*Continued on page 15*)



Partial view of U.S. exhibit

Tips from a top U.S. chef

Fresh Fruits and Vegetables Score In U.S. Exhibit at U.K.'s Hotelympia

U.S. fresh fruits and vegetables, flown to London under newly reduced air freight rates, were a highlight and sales hit at Hotelympia, the International Hotel and Catering Exhibition which just closed in London. Large numbers of British and European food buyers, hotel managers, caterers, and other food tradesmen attended.

The Department of Agriculture, U.S. food firms, and two of America's international air carriers (Pan American Airways and Trans World Airlines) cooperated in presenting a promotional display of U.S. foods at the Exhibition.

Orders for air delivery of fresh lettuce and strawberries from the United States began to be placed as soon as the show opened. U.S. rice—sales of which in the United Kingdom have been built to a large volume under the USDA market development program—also drew considerable attention, including dishes of rice combined with other U.S. foods. Other U.S. food products actively promoted at the Exhibition included poultry, cranberries, frozen orange juice concentrate, raisins, prunes, lard, and fish products.

"Mrs. America" at U.S. lard booth

Henri Stahli, regional manager for dining and commissary of TWA's Atlantic division, demonstrated U.S. foods to caterers attending, stressing portion control methods used by the U.S. institutional trade.

Lord Mayor of London Gets Box of Washington State Apples

Second of two promotions carried on in the United Kingdom by the Pacific Coast Deciduous Fruit Industry in the last few months was the recent presentation of a box of Washington State apples to Sir Lionel Denny, Lord Mayor of London, by (l-r) John M. Schooley, PCDFI's European representative; Carol Clark, Yakima's 1966 Wassail Girl; and Robert N. Anderson, U.S. Agricultural Attaché at London.

Earlier, the association held a reception for British fruit importers at the London Trade Center.

This country's best world customer for apples, the United Kingdom bought \$57.7 million worth of deciduous fruit in the first 11 months of 1965, with prospects for 1966 purchases favorable.

How Australia Markets Its Second Biggest Export—Wheat

Responsible for wheat's current ascendancy among Australian exports is a highly integrated marketing system of guaranteed prices and monopoly selling.

Australian wheat farmers some two decades ago set out to develop a wheat marketing system that would enable them to compete anywhere.

Today they have that system—one that permeates the industry from plant breeding to export sales—and with it a secure place as third biggest wheat exporter.

In fact, growth in Australia's exports between the early 1950's and the early 1960's, a striking 127 percent, was more than twice as fast as the pace for overall trade.

Describing the structure of Australia's highly effective marketing organization and how it has helped make growing of wheat a profitable venture is the publication *The Australian Wheat Marketing System,* recently issued by the Foreign Agricultural Service. A summary of it follows.

Output skyrockets

Wheat production in Australia has set a record in 3 of the last 4 years, with the 1965 crop held down to fourth largest only by severe drought. In the future, production is likely to rise, although not at so fast a pace. And since domestic consumption has stabilized at about 70 million bushels a year, most of any added production will probably move into export.

The system under which these exports move out in some respects dates back 40 years or more. But the setup as it is today was begun in the 1948-49 season with a series of schemes to stabilize wheat prices, and was subsequently modified and refined to the point of complete monopoly on wheat marketing and total lack of domestic competition. Its key elements are guaranteed prices, franchised handlers, and a governmental sales agency—the Australian Wheat Board.

First stage of this complex system is fixing of the guaranteed price, officially termed the Gazetted Cost of Production. The guaranteed price is a yearly price for FAQ (fair average quality) wheat at main terminals and applies to: (1) all wheat consumed domestically; and (2) a portion—currently 150 million bushels or about two-thirds—of the export wheat. It is based on the cost of production, which in turn is based on a detailed cost analysis every 5 years of the operations of a sample of wheat-growing farms, plus yearly changes in overall costs and yields.

Guaranteed price backed

To make up for the difference between the guaranteed price and the return from exports is the Stabilization Fund. It is supported by grower contributions when export prices are above the guaranteed price and by government contributions when export returns are off. In the last few years, lower export prices have caused government support of the fund.

What the growers actually receive, of course, is determined by quality of their wheat, shipping costs, the Wheat Board's returns from exports not covered by the guaranteed price, and other factors. In recent years, these variables have resulted in an average return to producers of about 16 cents per bushel less than the guaranteed price f.o.r. (free on rail) ports.

Most of the wheat is trucked directly from fields to country elevators, which are generally owned by farmers' cooperatives or by state grain-handling agencies. Here the second major aspect of Australia's wheat marketing system comes into play, as these handlers are the sole authorized recipients—the franchised handlers—for the Australian Wheat Board.

Once delivered, the wheat becomes part of the season's pool—referring to the total amount of wheat delivered to agents of the Board during a given season—and receives a pool number. In this way, the wheat is separated from production for subsequent seasons and is marketed at the guaranteed price, applicable to that crop until completely sold.

The third major feature of the system, of course, is the Australian Wheat Board. Sole marketing agent and hence single exporter of Australian wheat, the Board was established in 1947.

As in the past, the Board's export price for wheat is strongly influenced by the c.i.f.-U.K. price of Australian wheat, even though importance of the U.K. market has declined.

To accommodate its export trade, the Board engages in ship chartering and is the largest ship charterer in Australia. It also handles virtually all sales itself, though ocasionally selling through an international trading firm.

A copy of the publication, *The Australian Wheat Marketing System,* FAS-M-171, may be obtained from the Information Service Branch, FAS, Room 5918, U.S. Department of Agriculture, Washington, D.C., 20250.

Barter Procurements for U.S. Agencies at Record Level

Barter contracts procuring materials and services abroad for U.S. Government agencies reached a record $99.1 million in the first half of fiscal 1966, compared with $70.6 million in July-December 1964.

The new contracts include $61.5 million for materials and services for the Department of Defense, and $37.6 million to meet program needs of the Agency for International Development (up considerably from the $14.1 million of the similar period in 1964). Agreements were also made for $6.9 million in palladium and iodine to meet national stockpile deficits.

First-half figures on U.S. exports under barter contracts are not yet available. However, in the first quarter of fiscal 1966, the United States exported $42.9 million in agricultural commodities under barter agreements, compared with exports valued at $18.3 million in the same period of fiscal 1965. Among the largest recipients were Brazil, $6.7 million; Mexico, $3.6 million; Chile, $3.5 million; Morocco, $3.2 million; India, $2.5 million; and the Canary Islands, $1.7 million.

Largest commodity — in terms of value—to move was wheat, at $13.4 million. Next were tobacco, $12.2 million; vegetable oils, $8.2 million; and cotton, $7 million.

Trends in Volume of U.S. Livestock Products Trade

The volume of several U.S. livestock and meat import items registered reductions for the first 11 months of 1965. So did that of several export products; yet the total dollar value of the exports was less than 2 percent under the postwar high of the previous year (see p. 16).

Beef import volume down; pork, wool, cattle up

U.S. imports of *beef and veal* in January-November amounted to 640 million pounds—14 percent less than the level of the previous year. *Mutton and goat* meat imports—at 28 million pounds—were 15 percent lower. A 23-percent increase in *pork* imports is attributed to relatively short supplies and high U.S. prices. Total *red meat* imports were 6 percent under January-November 1964.

U.S. IMPORTS, SELECTED LIVESTOCK PRODUCTS

Commodity	November 1964	November 1965	Jan.-Nov. 1964	Jan.-Nov. 1965
Read meat:	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Beef and veal:				
Fresh and frozen:				
Bone-in, frozen	146	653	3,610	4,806
Bone-in beef, fresh and chilled	1,592	4,019	12,398	20,435
Boneless beef	50,792	47,348	622,234	490,189
Cuts (prepared)	40	266	894	2,322
Veal	1,227	2,854	15,745	17,068
Canned beef and beef sausage	4,574	7,589	76,832	84,827
Prepared and preserved	499	1,824	9,487	20,042
Total beef and veal	58,870	64,553	741,200	639,689
Pork:				
Fresh and frozen	3,360	5,613	35,048	43,895
Canned:				
Hams and shoulders	10,795	12,230	126,695	154,509
Other	1,982	2,051	20,798	25,427
Cured:				
Hams and shoulders	112	151	1,397	1,468
Other	385	461	4,260	4,853
Sausage	218	187	1,786	1,727
Total pork	16,852	20,693	189,984	231,879
Mutton and goat	1,969	2,408	32,564	27,960
Lamb	341	1,823	9,686	11,523
Other sausage	536	531	3,974	4,506
Total red meat	78,568	90,008	977,408	915,557
Variety meats	283	338	1,524	1,833
Wool (clean basis):				
Dutiable	9,713	14,314	86,410	148,989
Duty-free	6,225	6,787	101,359	101,481
Total wool	15,938	21,101	187,769	250,470
	1,000 pieces	*1,000 pieces*	*1,000 pieces*	*1,000 pieces*
Hides & skins:				
Cattle	19	50	298	263
Calf	90	24	820	422
Kip	84	43	1,002	584
Buffalo	21	68	393	541
Sheep and lamb	990	1,382	28,433	27,372
Goat and kid	570	968	11,957	13,021
Horse	29	34	342	348
Pig	300	112	1,615	2,630
	Number	*Number*	*Number*	*Number*
Live cattle[1]	75,493	234,293	457,861	899,325

[1]Includes cattle for breeding.
U.S. Department of Commerce, Bureau of the Census.

Wool imports, amounting to 250 million pounds, were up 33 percent, reflecting substantially lower world wool prices and much larger imports of apparel (dutiable) wool.

Imports of *sheep and lamb skins* were 4 percent below a year ago, although total imports of all hides and skins showed a 1-percent increase.

Relatively high U.S. *cattle* prices during 1965 attracted increased imports of stocker and feeder cattle from Canada and Mexico. Imports of live cattle amounted to roughly 900,000 head in the first 11 months of 1965 compared with 458,000 head in the same period of the previous year. Cattle imports in 1965 more nearly approached the average level of recent years, after having suffered a sharp decline during the previous year.

Export in general below 1965 highs

Lard exports during January-November 1965 amounted to 230 million pounds—down 64 percent from the same period of the previous year. Reduced U.S. supplies and relatively high prices are reflected. Also, larger supplies in Western Europe have enabled the United Kingdom—principal outlet for U.S. lard exports—to obtain more of its needs there.

U.S. EXPORTS OF LIVESTOCK PRODUCTS
[Product weight basis]

Commodity	November 1964	November 1965[1]	Jan.-Nov. 1964	Jan.-Nov. 1965[1]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Animal fats:				
Lard	63,516	10,325	639,357	230,292
Tallow & greases:				
Inedible	191,858	146,194	2,263,851	1,927,092
Edible	648	4,320	11,684	23,340
Meats:				
Beef and veal	5,983	5,605	41,601	40,592
Pork	8,854	5,294	126,368	43,811
Lamb and mutton	97	90	1,102	1,041
Sausages:				
Except canned	324	243	3,361	1,990
Canned	142	71	951	1,367
Other canned meats	275	774	2,587	7,396
Meat specialties:				
Frozen	—	124	—	1,428
Canned	—	284	—	2,106
Total red meats	15,675	12,485	175,970	99,731
Variety meats	21,654	19,486	208,615	201,906
Sausage casings:				
Hog	675	594	8,720	6,102
Other	384	481	4,250	5,520
Mohair	224	490	2,457	7,521
	1,000 pieces	*1,000 pieces*	*1,000 pieces*	*1,000 pieces*
Hides and skins:				
Cattle	1,101	1,036	10,482	12,031
Calf	181	209	1,920	1,706
Kip	23	44	244	442
Sheep and lamb	201	325	2,763	2,583
Horse	[2]	1	[2]	27
Goat and kid	[3]	13	[3]	299
	Number	*Number*	*Number*	*Number*
Live cattle	3,772	3,100	58,574	51,146

[1]Because of new classification, 1965 data are not entirely comparable with earlier years. [2]Included in cattle hides. [3]Included in sheep and lamb skins.
Bureau of the Census.

Exports of *inedible tallow* and greases were 15 percent under those of January-November 1964. Again, increased prices and limited availability of hog greases were partly responsible for the decline. Exports of *edible tallow,* however, roughly doubled.

Exports of *beef and veal* were substantially unchanged from the 1964 level. *Pork* exports were considerably below the level of the previous year, owing to reduced U.S. export availabilities. *Variety* meats were running only slightly behind levels of a year earlier.

Mohair exports recovered from the substantially reduced 1964 level, responding to more competitive 1965 export prices.

Exports of *live cattle* were about 14 percent below those of January-November 1964. High U.S. prices during 1965 are in part responsible.

Shipments of *cattle hides*—over 12 million in 11 months —already exceeded the all-1964 record.

Canadian Cotton Consumption Higher

Textile mills in Canada opened 208,966 bales (480 lb. net) of cotton in the August-December period of the current season, according to the Canadian Textile Institute. This is 8 percent above openings of 193,221 in the same period of 1964-65. December openings were 42,469, compared with 39,577 in November and 36,179 in December of 1964. In calendar 1965, 471,255 bales were opened, compared with 450,025 in 1964.

Peru Aids Its Cotton Industry

Recently enacted Peruvian legislation provides benefits to the domestic cotton industry. The new law abolishes the advance profit tax of $1.50 per 100 pounds on all cotton exports. It also requires that half the 5-percent tax on all cotton sales transactions be returned to producers in the form of negotiable certificates, which may be used by producers to pay other tax liabilities.

In addition, the law establishes a producer loan fund equivalent to $24 million, to be administered by the Agricultural Bank. This fund is to be available to cotton producers for use in modernizing their cotton operation or in transferring from cotton production to some other agricultural endeavor. Peru's cotton producers and traders have been seeking relief from their government owing to reduced yields and lower export prices.

Peru's Fishmeal Output, Exports Down

Peru, the world's leading producer and exporter of fishmeal, produced 1,068,300 metric tons of fishmeal in January-November 1965—22 percent below the 1,371,600 tons produced in the comparable period of 1964. This decline reflected a sharp drop in output after June 30. Output has since improved from this seasonal low, although it remains significantly below that of a year earlier. Fishing in recent weeks reportedly has been very good.

Despite the sharp decline in production, exports of fishmeal this year during January-November, at 1,161,100 tons, declined only 10 percent from the 1,292,700 tons shipped in the corresponding 11-month period of 1964. The 131,600-ton decline in exports is significantly less than the decline in output indicating a sizable stocks depletion.

Prices for Peruvian fishmeal in Europe on January 7, at about $190 per metric ton, remained unchanged from those averaged in December 1965 but nearly one-fifth above the monthly average price of $160 per ton in January 1965.

PERU'S FISHMEAL PRODUCTION AND EXPORTS

Month	Production 1963	Production 1964	Production 1965	Exports 1963	Exports 1964	Exports 1965
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
January	146	196	194	147	102	165
February	46	125	122	104	101	130
March	122	175	192	104	186	170
April	129	159	150	96	142	163
May	160	123	128	78	133	158
June	99	92	94	85	106	133
July	39	84	12	110	142	110
August	38	56	—	83	104	46
September	48	50	17	73	82	30
October	77	130	42	83	84	16
November	116	182	117	91	110	39
December	139	181	—	105	124	—
Total	1,159	1,552	—	1,160	1,417	—

Totals computed from unrounded numbers.

Argentina Plants More Sunflowers

According to the first official estimate, Argentina—the world's second major producer of sunflowerseed—has increased its plantings of that crop to 3,108,500 acres, 7 percent above the 2,897,500 acres of 1964-65. This is the largest acreage since 1961-62 and exceeds the 1954-55/1958-59 average by 36 percent. The increased acreage reflects higher prices for sunflowerseed.

Trade sources, report that exports of sunflowerseed oil in January-November 1965 amounted to 28,336 short tons, compared with none during the like period of 1964, during a relatively tight domestic edible oil situation.

Tunisian Olive Oil Exports Decline

Exports of edible olive oil from Tunisia during the first 2 months of the current marketing year (beginning November 1) were only 1,968 metric tons, compared with 12,768 tons in the corresponding period of 1964. France and Italy are major destinations for these exports.

Prices for Tunisian olive oil (1 percent acidity) in Europe on January 14 were quoted at £240-250 per metric ton (US$672 to US$700). Prices were slightly above the previous month's and about 5 percent above the average $653 of January 1965.

Tunisian olive oil production in the 1965-66 season is forecast to decline to about 60,000 metric tons from the 95,000 tons produced in 1964-65.

Australian Opening Prices for Canned Fruit

The revised opening minimum prices (c.i.f. United Kingdom) for the 1966 Australian canned fruit pack are higher than the previous year's. The fruit cocktail price is up 25 U.S. cents per dozen No. 2½ cans, while prices for peaches and two fruits increased by 4 cents and those for apricots and pears rose by 7 cents. For fruit salad, minimum prices were set for the first time. The higher quotations are attributed to increases in freight rates, raw material prices, and factory costs.

The marketing scheme is reported to have maintained

a 1-percent discount on purchases of 25,000 to 49,999 cases and a 2½-percent discount on those of 50,000 to 99,999 cases. A discount of 3 percent, available on orders of 150,000 cases last year, is now available for 100,000 cases. An additional 1¼-percent discount can be obtained on purchases of 250,000 cases, but this is not automatic.

A new allowance of 1 percent may be extended to buyers by canners classified as "small" by the Australian Canned Fruits Board (ACFB). Such orders must be recorded with the ACFB by March 31 and shipped not later than June 30, 1966.

Under the new marketing scheme, the minimum rates for initial orders remain unchanged at 2,500 cases for England and Wales and 1,000 for Scotland and Northern Ireland. Furthermore, the ACFB has discontinued exquay spot selling in favor of an exstore basis. Also, the maximum discount rate for buyer's labels is 5 cents per dozen of 2½'s.

AUSTRALIA'S OPENING MINIMUM CANNED FRUIT PRICES

Type	Fancy	Choice	Standard
	U.S. dol. per doz. No. 2½ cans[1]	*U.S. dol. per doz. No. 2½ cans*[1]	*U.S. dol. per doz. No. 2½ cans*[1]
Apricots, halves:			
1965	3.43	3.22	3.08
1966	3.50	3.29	3.15
Peaches, halves and slices:			
Clingstone:			
1965	3.43	3.22	3.08
1966	3.46	3.26	3.12
Freestone:			
1965	3.08	2.87	2.73
1966	3.12	2.90	2.76
Pears, Bartlett, halves and quarters:			
1965	3.57	3.36	3.22
1966	3.64	3.43	3.29
Fruit cocktail:			
1965	3.92	3.71	3.57
1966	4.16	3.96	3.82
Two fruits:			
1965	3.43	3.22	3.08
1966	3.46	3.26	3.12
Fruit salad :			
1965	—	—	—
1966	4.69	4.48	4.34

[1]C.i.f. United Kingdom.

South African Canned Fruit Opening Prices

The 1966 opening minimum export prices for South African canned fruit (c.i.f. United Kingdom), as quoted by the London press, are higher than those in 1965. Fruit cocktail is up 24 cents per dozen No. 2½ cans, while apricots increased by 14 cents, clingstone peaches by 4-11 cents, pear quarters by 11 cents, and pear halves and fruit salad by 7 cents. Higher costs of production are reported to have caused the rise in prices.

Additional discounts have been added to the basic allowances for fancy grades packed under one label. The rates are now 3½ percent for orders of 150,000 to 449,999 cases; 4½ percent for 450,000 to 749,999 cases; and 5½ for 750,000 cases and over. Reportedly, very few buyers and South African canners could qualify or even pack enough fancy fruit for the maximum 5½ percent discount. Since the Australian discount rates, which are higher, do not impose any special grade or label restrictions, some sources feel the effect of South Africa's additional fancy discounts will be limited.

The basic discounts, which were in effect in 1965, have been continued for the 1966 marketing scheme. These rates are 1 percent for orders ranging from 10,000 to 19,999 cases; 1½ percent for 20,000 to 49,999 cases; and 2½ percent for 50,000 cases and over.

SOUTH AFRICA'S OPENING MINIMUM CANNED FRUIT EXPORT PRICES

Type	Fancy	Choice	Standard
	U.S. dol. per doz. No. 2½ cans[1]	*U.S. dol. per doz. No. 2½ cans*[1]	*U.S. dol. per doz. No. 2½ cans*[1]
Apricots:			
1965	3.01	2.80	2.66
1966	3.15	2.94	2.80
Peaches, clingstone:			
1965:			
Halves	3.15	3.01	2.87
Slices	3.22	3.08	2.94
1966:			
Halves and slices	3.26	3.12	2.98
Pears, Bartlett:			
1965:			
Halves	3.36	3.22	3.08
Quarters and slices	3.29	3.29	3.15
1966:			
Halves	3.43	3.15	3.01
Quarters and slices	3.40	3.26	3.12
Fruit salad:			
1965	4.34	4.20	4.06
1966	4.41	4.27	4.13
Fruit cocktail:			
1965	3.78	3.57	3.43
1966	4.02	3.82	3.68
Two fruits:			
1965	—	—	—
1966	—	3.12	2.98

[1]C.i.f. United Kingdom.

Canadian Tobacco Exports Down

Canada's exports of unmanufactured tobacco during the first 9 months of 1965 totaled 37.8 million pounds—down 11 million from the 48.8 million exported in the same period of 1964. Smaller shipments to the U.K. West Germany, Denmark, Belgium, and Australia more than offset larger exports to Hong Kong, Holland, and Malaysia.

The shipment of 367,000 pounds to Syria opened a new export market for Canadian flue-cured leaf. Also, there were no exports of tobacco to the USSR, Czechoslovakia, or Japan, whereas these countries took 5.2 million pounds during the first 9 months of 1964.

CANADIAN EXPORTS OF UNMANUFACTURED TOBACCO

Destination	January-September		
	1963	1964	1965
	1,000 pounds	*1,000 pounds*	*1,000 pounds*
United Kingdom	29,355	33,356	30,252
Hong Kong	244	461	1,203
Netherlands	940	796	929
Germany, West	3,412	3,772	924
Belgium	700	877	529
Syria	—	—	367
Denmark	544	1,043	314
Malaysia	143	273	294
Israel	—	[1]	122
Australia	450	317	36
Soviet Union	—	2,712	—
Japan	—	1,471	—
Czechoslovakia	—	1,000	—
Others	1,858	2,687	2,879
Total	37,646	48,765	37,849

[1]If any, included in others.

Burley Sales in Zambia, Rhodesia, Malawi

Sales of the 1965 crops of burley tobaccos grown in Rhodesia, Zambia, and Malawi totaled 15.8 million pounds, compared with 11.0 million for the previous season. These countries produce mainly for export and during calendar 1965 probably accounted for 12-15 percent of total Free World exports of this kind of tobacco.

Zambian sales of the 1965 burley crop on the country's new auction floor at Lusaka totaled 4.4 million pounds, at an average price equivalent to 20.4 U.S. cents per pound. This compares with the 1964-crop sales of 3.8 million pounds, averaging 24.3 cents, sold on the auction floors at Limbe, Malawi, and Salisbury, Rhodesia.

The lower price for the 1965 crop was caused by increased production. Other factors were poor grading and presentation, lack of competition, the change in auction floor from the previous Limbe and Salisbury markets.

Burley sales during the first week at Lusaka averaged the equivalent of 26.1 U.S. cents per pound for all varieties and dropped to 24.3 cents for the second week. From the third week through the seventh, prices fluctuated only slightly, between 24.0 and 26.8 cents. However, from the eighth week through the final (17th) week, prices dropped sharply, from 21.5 cents per pound to 9.9.

Rhodesian sales of the 1965 burley crop sold on the Salisbury auction floors totaled 5.6 million pounds, at an average price equivalent to 25.9 U.S. cents per pound. This compares with 1964-crop sales of 2.5 million pounds, averaging 33.6 cents per pound.

Prices on the Salisbury market were firmer than those on the Lusaka market during the 1965 season. The average price for the first week was 33.6 U.S. cents and varied between 24.8 and 34.0 cents through the 19th week, at which time 85 percent of the total sales had been completed. From the 20th week through the final (23d) week, prices dropped from 21.6 cents to 9.4.

Malawian sales of the 1965 burley crop sold on the Limbe auction floors totaled 5.8 million pounds, at an average price equivalent to 27.3 U.S. cents per pound, compared with 27.8 cents for the 1964 crop when 4.7 million pounds were sold.

Weekly average prices on the Limbe market rose from 31.1 U.S. cents per pound for the first week to 32.9 cents for the 6th week. Thereafter prices showed a downward trend and averaged 22.2 cents for the 17th week. Average weekly prices for the 18th and the final (19th) week of sales are not currently available.

World Crops and Markets Index

Growing EEC Butter Surplus

(Continued from page 9)

1965, for the three member states involved.

Time limit extended

In view of the continuing existence of large butter stocks—above average levels—the Commission in mid-November extended further the period of surplus disposal and again increased the quantities involved. West Germany was authorized to sell an additional 20 million pounds until November 30, bringing the total authorization for disposal since May 1965 to 132 million pounds. The Netherlands was authorized to sell an additional 15 million pounds to the extended authorization date of January 31, 1966. All member states have also been authorized to sell, prior to September 30, butter which was imported before the implementing regulations for the dairy CAP were extended to the end of January 1966.

The latest extension was opposed in the EEC Milk and Dairy Products Management Committee by some member states. These states argued that the regulation provides only for surplus disposal from public stocks but not from private stocks. Also, notwithstanding the fact that surplus (stored) butter is not to be sold in intra-Community trade, the importing member states are unable to determine whether butter imported from another member state is of fresh or stored quality.

Common milk target price

It seems obvious, from an economic viewpoint, that these interim measures will not solve the surplus butter problem in the Community. Since growing milk production has become an important factor in the butter surplus, the Commission is believed to consider it of primary importance to establish a common milk target price. Aside from its central role in determining the future course of milk production—and subsequently butter production—within the six member states, the level of the common target price for milk will appreciably affect farm income. Estimates place receipts from milk and cattle, on the average, at 35-40 percent of the total receipts from agricultural produce sold in the EEC. Thus, the dairy industry as a whole accounts for the largest single element in agricultural revenue in the Community.

The common target price of the final stage will be achieved through a gradual alinement of national target prices. These will be established on the basis of annual common target prices which are fixed each year by the Council of Ministers until the end of the transitional period in 1970.

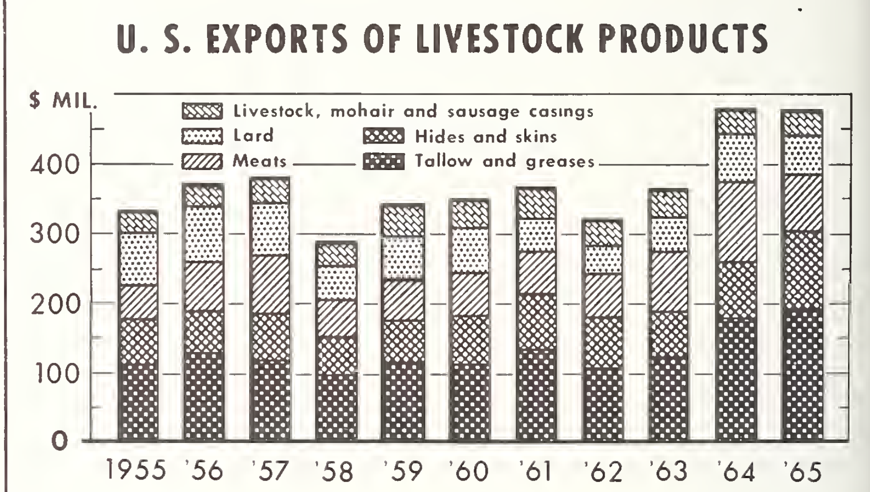
Unless the common target price for milk is established for the 1966-67 dairy marketing year (beginning April 1, 1966) at a level considerably lower than the current arithmetic average of the present national target prices, the surplus butter problem of the EEC is not likely to be appreciably improved in 1966.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

Value of 1965 Exports of Livestock Products Nears 1964 Peak



Preliminary estimates place the value of U.S. livestock and livestock product exports in 1965 at $470 million—just $8.4 million short of 1964's postwar peak despite a decline in volume for some items (see table p. 12).

Shipments of tallow and grease, which in 1964 climbed to a record value of $180 million, scored a new high of an estimated $195 million. Larger shipments of tallow offset reduced grease exports and accounted for the rise in dollar value.

Reaching their highest level in history, exports of cattle hides were primarily responsible for the 25-percent rise in total hide and skin shipments in 1965. The value of these sales is estimated at $104 million, compared with $83 million in 1964 and $68.3 million in 1963. World shipments of cattle hides held steady, with higher U.S. exports balancing somewhat a reduction in Argentina's sales.

The slight gain registered by livestock exports in 1965—$20 million as compared to $19.2 million in 1964—is attributed mainly to the sale of about 13,000 head of slaughter cattle to Mexico, whose previous purchases were mostly breeding cattle. In 1964, exports of livestock rose 61 percent from the $11.9 million worth shipped the previous year, primarily because of increased sales to Canada.

Changing trends in fashion seem to dictate the level of mohair exports, which in 1964 were down to $3.2 million in value after bringing in $14.2 million a year earlier. As mohair reentered the fashion picture in 1965, exports rose to an estimated $7 million. Higher monthly shipments compensated for a decline in world prices.

On the other side of the scale, U.S. exports of meats, lard, and sausage casings declined from the 1964 level.

Shipments of meats were down to an estimated $86 million from $113.9 million a year earlier. The decline was primarily because of reduced supplies and higher prices in the United States, combined with a smaller import demand in Europe as a result of increased and lower output prices.

With pork production down, output of lard also declined. Prices were high as a result, and the United Kingdom—the only foreign market for U.S. lard—found it more economical to buy from the Continent. Lard exports for the year totaled $50 million, compared with $69.8 million in 1964. Shipments of sausage casings declined slightly from $9.3 million to an estimated $8 million.